

BATON ROUGE AIDS SOCIETY
(a Non-Profit Organization)

Independent Auditor's Report and Financial Statements
For the Year Ended December 31, 2004

Deemer CPA and Consulting Services, LLC

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 3-15-06

**Baton Rouge AIDS Society
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Independent Auditor's Report

To the Board of Directors of Baton Rouge AIDS Society:

I have audited the accompanying statement of financial position of Baton Rouge AIDS Society (a non-profit organization) (hereinafter referred to as BRASS) as of December 31, 2004, and the related statement of activities and cash flows for the year then ended. These financial statements are the responsibility of BRASS management. My responsibility is to express an opinion of these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Baton Rouge AIDS Society and the results of operations and its cash flows for the year then ended December 31, 2004, in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated March 1, 2006 on my consideration of Baton Rouge AIDS Society's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contract, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

My audit was performed for the purpose of forming an opinion on the financial statements of BRASS taken as a whole. The schedule of functional expenses is presented on page 9 for purposes of additional analysis and is not a required part of the financial statements of the organization. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Greener CPA and Consulting Services, LLC

New Orleans, Louisiana

March 1, 2006

**Baton Rouge AIDS Society
Statement of Financial Position
As of December 31, 2004**

<u>Assets</u>	
Cash	\$ 84,508
Grant Receivable	9,129
Outreach Inventory	3,800
<u>Fixed Assets</u>	
Property and Equipment	84,957
Accumulated Depreciation	<u>(20,118)</u>
Total Fixed Assets (Net)	64,839
Total Assets	<u>\$ 162,276</u>
<u>Liabilities and Net Assets</u>	
Accrued Liabilities	\$ 9,994
Payroll Liabilities	3,074
Deferred Revenue	<u>55,000</u>
Total Liabilities	68,068
<u>Net Assets</u>	
Unrestricted	<u>94,208</u>
Total Net Assets	<u>94,208</u>
Total Liabilities and Net Assets	<u>\$ 162,276</u>

The accompanying notes are an integral part of these financial statements

**Baton Rouge AIDS Society
Statement of Activities
For the Year Ended December 31, 2004**

	<u>Unrestricted</u>
Revenues	
Grant revenue	\$ 488,133
Contributions	<u>74,402</u>
Total revenues	<u>562,535</u>
Expenses	
Program Services	\$ 484,358
Support Services	<u>22,413</u>
Total Expenses	<u>506,771</u>
Change In Net Assets	\$ 55,764
Net Assets At Beginning Of Year	<u>38,444</u>
Net Assets At End Of Year	<u><u>\$ 94,208</u></u>

The accompanying notes are an integral part of these financial statements.

**Baton Rouge AIDS Society
Statement of Cash Flows
For the Year Ended December 31, 2004**

Cash Flows From Operating Activities:

Changes in Net Assets	\$ 55,764
Adjustments to Reconcile Net Revenues over Expenditures to Net Cash Provided by Operating Activities	
Depreciation Expense	19,401
Changes in Operating Assets and Liabilities	
Grant Receivable	7,071
Outreach Inventory	400
Prepaid Assets	1,513
Employee Advances	600
Accounts Payable	1,274
Payroll Liabilities	2,491
Deferred Revenue	<u>16,145</u>
Net Cash Provided by Operating Activities	104,659

Cash Flows From Investing Activities:

Property and Equipment	<u>(73,497)</u>
Net Cash Provided by Investing Activities	(73,497)

Cash Flows From Financing Activities:

Line of Credit repayments	<u>(1,772)</u>
Net Cash Provided by Financing Activities	<u>(1,772)</u>
Net Cash Increase for Period	29,390
Cash, At Beginning of Period January 1, 2004	<u>55,118</u>
Cash, At End of Period December 31, 2004	<u><u>\$ 84,508</u></u>

The accompanying notes are an integral part of these financial statements.

Baton Rouge AIDS Society
Notes to the Financial Statements
For the Year Ended December 31, 2004

1. Summary of Significant Accounting Principles

General - Baton Rouge AIDS Society is a non-profit corporation organized under the laws of the State of Louisiana. Its mission is to provide positive community responses to people affected by HIV/AIDS and reduce the spread of HIV/AIDS through education and testing in the Baton Rouge and surrounding area. The agency's operations are funded primarily through federal grants.

Basis of Accounting - BRASS's financial statements are prepared on the accrual basis of accounting, whereby revenue is recorded when earned and expenses are recorded when incurred.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property and Equipment - Improvements which significantly extend the useful life of an asset and purchases of equipment are capitalized. The straight line method of depreciation is used for the assets owned by BRASS. The estimated useful lives of these assets range from 3 to 10 years.

Income Taxes - BRASS has been determined to be tax exempt under Section 501 (c) 3 of the Internal Revenue Code. Therefore, no provision for income taxes is made in the accompanying financial statements.

Cash - Cash is comprised of cash on hand and in banks.

2. Net Assets - A description of the three types of Net Assets categories is described below:

Unrestricted net assets are comprised of funds without donor-imposed restrictions. The revenues received by BRASS and expenses incurred are included in this category.

Temporarily restricted net assets include income, gifts, and contributions which have temporary restrictions that have not been met.

Permanently restricted net assets include income, gifts, and contributions which have donor-imposed restrictions to be invested in perpetuity and only the income from those investments can be made available for program operations.

As of December 31, 2004, BRASS had unrestricted net assets, however there were no temporarily or permanently restricted net assets.

3. Property and Equipment

Property and Equipment consisted of the following at December 31, 2004:

Equipment and Office Furniture	\$41,209
Computer Software and Licensing	43,748
Less: Accumulated Depreciation	<u>(20,118)</u>
Total Property and Equipment	<u>\$ 64,839</u>

Current year depreciation expense was recorded at \$19,401.

4. Grants Receivable

As of December 31, 2004 grants receivable consists of the following:

Office of Public Health	<u>\$9,129.00</u>
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5. Outreach Inventory

Inventory consists of outreach supplies which were donated to BRASS. The carrying value is estimated based on the fair market value of the items donated.

6. Deferred Revenue

BRASS received \$55,000 from a private Foundation in December 2004 for the agency's 2005 Southern HIV/AIDS Prevention Initiative. The funds are considered unearned until the 2005 program begins, as such the funds are reported as deferred revenue in the accompanying financial statements.

7. Lease Obligations

The agency entered into a new lease in October 2004 for office space and certain office equipment. Rent expense was recorded at \$ 11,200 for the year ended December 31, 2004.

8. Economic Dependency

BRASS receives its funding primarily from federal and state grants. The agency had two main funding sources in 2004, U.S. Department of Education and State of Louisiana Office of Public Health. The continuance of this program is dependent upon the agency's ability to gain renewal of contracts and grants as well as to obtain new funding.

9. In-Kind Donations

The agency utilizes a mobile classroom unit at a public school without charge. In-kind contributions and an offsetting rent expense of \$1,500 is recorded in the accompanying financial statements.

SUPPLEMENTAL INFORMATION

Baton Rouge AIDS Society
Schedule of Functional Expenses
For the Year Ended December 31, 2004

	Program Services		Support Services	Total
	Education	Outreach		
Compensation	\$ 40,501	212,632	0	\$ 253,133
Payroll Tax Expense	7,656	40,194	0	47,850
Insurance	0	762	0	762
Outreach	0	37,794	0	37,794
Rent Expense	1,500	9,700	0	11,200
Supplies	1,268	7,149	10,221	18,638
License and Permits	0	693	0	693
Bank Service Charge	0	0	83	83
Postage and Delivery	0	595	74	669
Printing and Reproduction	556	2,966	0	3,522
Repairs and Maintenance	17,423	0	452	17,875
Professional Development	8,584	0	0	8,584
Professional Fees	4,711	22,914	9,000	36,625
Telephone	0	6,120	2,037	8,157
Depreciation	18,953	0	448	19,401
Dues and Subscriptions	0	64	98	162
Travel and Meetings	7,886	12,381	0	20,267
Miscellaneous	17,797	3,559	0	21,356
Total Expenses	<u>\$ 126,835</u>	<u>\$ 357,523</u>	<u>\$ 22,413</u>	<u>\$ 506,771</u>

See Independent Auditor's Report.

**Independent Auditor's Report on Compliance and on Internal
Control Over Financial Reporting Based on an Audit of
Financial Statements Performed in
Accordance with Government Auditing Standards**

To the Board of Directors of Baton Rouge AIDS Society:

I have audited the financial statements of Baton Rouge AIDS Society as of December 31, 2004, and for the year then ended, and have issued my report thereon dated March 1, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether BRASS's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed two instances of noncompliance that is required to be reported under Government Auditing Standards. That condition is reported as finding 004-01, and 004-02.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered BRASS's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of internal control over financial reporting that, in my judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the schedule of findings and questioned costs as finding 004-01, and 004-02.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. I consider findings 004-01 and 004-02 to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within BRASS and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Deemer CPA and Consulting Services, LLC

New Orleans, Louisiana

March 1, 2006

Baton Rouge AIDS Society, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2004

004-01 - Fixed Assets Schedule Not Maintained

Criteria:

The Louisiana State Revised Statute 24:515(b) requires that all governments "shall maintain records of all land, buildings, improvements other than buildings, equipment, and any other general fixed assets which were purchased or otherwise acquired, and for which such entity is accountable."

Condition:

A fixed asset detail was not available during the audit. Also, depreciation expense was not recorded in the financial statements.

Effect:

An audit adjustment was made for depreciation of appropriate assets.

Recommendation:

Adequate policies and procedures relating to fixed assets should be adopted and fully implemented at Baton Rouge AIDS Society.

Management's Response:

BRASS will maintain and update a fixed asset schedule to include depreciation expense, purchases, disposals etc.

004-02 - Credit Card Purchases

Criteria:

The proper adoption and implementation of internal controls will ensure accountability with regards to the disbursement of funds and subsequent reporting of those transactions in an organization. A credit card can secure purchases without any prior request or approval of agency officials.

Condition:

There were several payments made to credit card companies without review and/or approval of the details of items purchased. However, the items randomly selected during the audit appeared to be associated with the operations and/or events sponsored by BRASS.

Cause:

The use of a credit card does not allow for proper approval of expenditures and makes it difficult to maintain appropriate documentation on file related to expenditures.

Effect:

The lack of adequate controls related to cash disbursements may have resulted in unauthorized purchases.

Recommendation:

It is recommended that all credit card accounts be closed and BRASS utilizes their purchase requisition and/or purchase order system on all expenditures.

Management's Response:

Management will revisit their decision to provide employees with agency credit cards for purchases.

**Baton Rouge AIDS Society
Status of Prior Year Findings
For the Year Ended December 31, 2004**

	Unresolved	Resolved	Partially Resolved
1.) Cash Management requirements	X		
2.) Lack of Timely Audit	X		
3.) Lack of Segregation of Duties	X		
4.) Lack of Inventory Reconciliation		X	
5.) Lack of Compliance with Established Internal Control Procedures	X		
6.) Lack of appropriate payment for employee's health insurance	X		



BATON ROUGE AIDS SOCIETY

"Testing & Training Center"

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Phone: 225-923-AIDS, Fax: 225-926-STDs, Email: AIDS102@AOL.COM

Website: www.batonrougeaidsociety.com

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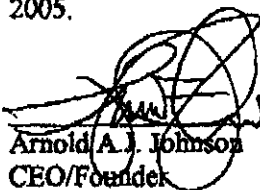
To Whom It May Concern:

The following is a corrective active plan for the findings noted in the December 2004 audit:

1. Management has engaged with an outside accountant to update and maintain financial records. The accountant and a Brass staff member have begun to inventory all fixed assets. Management has also updated its policies and procedures related to fixed assets. These changes were implemented after audit fieldwork had begun.
2. Management has taken credit cards from individual employees and has implemented a purchase requisition system on all expenditures. The new policy requires requisitions to be in the accounting office before Wednesday of every week. Requisitions must be properly authorized before funds are disbursed.
3. The new accountant will maintain cash management system and detail all expenditures. Books are maintained on a daily basis which will enhance cash management system.
4. The agency has engaged with an outside CPA to perform the 2005 audit which is due by June 30, 2006. The engagement letter has been signed and submitted to the legislative auditor.
5. The agency has a contracted accountant to handle the accounting functions of the agency which segregate accounting and financial duties. In the past other staff members performed those duties. As of December 2005 the duties have been performed by the outside accountant.

6. Management has conducted trainings to reestablish its policies and procedures with staff members. There will be emphasis on complying with established internal control procedures.
7. The agency is seeking affordable coverage for its employees.

Thank you for your consideration and we look forward to an enhanced report during 2005.


Arnold A. Johnson
CEO/Founder

3/7/06
Date